

**TOWN OF ROCKVILLE**  
**FINANCIAL STATEMENTS**  
**(UNAUDITED)**  
**YEAR ENDED JUNE 30, 2006**  
**WITH REPORT OF**  
**CERTIFIED PUBLIC ACCOUNTANTS**



**HINTONBURDICK**  
**HINTON BURDICK HALL & SPILKER PLLC**  
**CPAs & ADVISORS**

# TOWN OF ROCKVILLE

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**FINANCIAL SECTION**



# HINTONBURDICK

HINTON BURDICK HALL & SPILKER PLLC

CPAs & ADVISORS

## Compilation Report of Independent Certified Public Accountants

To the Honorable Mayor and  
Town Council  
Town of Rockville  
Rockville, Utah

**MEMBERS:**

KRIS J. BRAUNBERGER  
DEAN R. BURDICK  
ROBERT S. COX  
BRENT R. HALL  
KENNETH A. HINTON  
MORRIS J. PEACOCK  
MICHAEL K. SPILKER  
MARK E. TICHENOR

We have compiled the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Rockville, Utah, as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the Table of Contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

The Management's Discussion and Analysis on pages 2 through 6 and the budgetary information on page 22, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have compiled the supplementary information from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

*HintonBurdickHall & Spilker PLLC*

HINTON, BURDICK, HALL & SPILKER, PLLC  
October 20, 2006

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Town of Rockville (Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2006. Please read it in conjunction with the accompanying basic financial statements.

### **FINANCIAL HIGHLIGHTS**

- Total assets exceed total liabilities (net assets) by \$ 357,166 at the close of the fiscal year.
- Total net assets increased by \$27,403.
- Total revenues from all sources were \$132,796 and the total cost of all Town programs was \$105,393.
- Total revenue received in the General Fund was \$25,573 more than the final budget and expenditures were \$64,915 less than the final budget.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$96,904 or 92% of total General Fund expenditures.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the Statement of Net Assets and the Statement of Activities. These statements provide information about the activities of the Town as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements. (3) Notes to the financial statements.

#### **Reporting the Town as a Whole**

##### **The Statement of Net Assets and the Statement of Activities (Government-wide)**

A frequently asked question regarding the Town's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net assets and changes in them. Net assets, the difference between assets and liabilities, are one way to measure the Town's financial health, or financial position. Over time, increases or decreases in net assets are an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the Town's property tax base or jurisdiction, the availability of capital projects, and condition of the Town's assets to accurately assess the overall health of the Town.

The Statement of Net Assets and the Statement of Activities, present information about the following:

- Government activities – All of the Town's basic services are considered to be governmental activities, including general government, solid waste, public safety, public works, cemetery, culture and recreation, Grafton Heritage Partnership, and capital outlay. Property taxes, sales taxes, intergovernmental revenues and charges for services finance most of these activities.
- Proprietary activities/Business type activities – The Town currently does not maintain any proprietary activities; all activities are accounted for as governmental activities.

### Reporting the Town's Most Significant Funds

#### Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the Town as a whole. The Town's major fund uses the accounting approaches as explained below.

- Governmental funds – All of the Town's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the Basic Financial Statements and in footnote 2.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the Town's financial position. The Town's combined assets exceed liabilities by \$357,166 as of June 30, 2006 as shown on the following condensed statement of net assets.

#### Statement of Net Assets

	6/30/2005	6/30/2006
Current and other assets	\$ 148,683	\$ 194,428
Capital assets	185,597	168,280
Total assets	334,280	362,708
Long-term obligations	-	-
Other liabilities	4,517	5,542
Total liabilities	4,517	5,542
Net assets:		
Invested in capital assets, net of related debt	185,597	168,280
Restricted	75,317	91,982
Unrestricted	68,849	96,904
Total net assets	\$ 329,763	\$ 357,166

## Governmental Activities

The cost of all Governmental activities this year was \$105,393. \$42,159 of this cost was paid for by those who directly benefited from the programs, \$17,391 was subsidized by grants and intergovernmental revenues received from other organizations for operations and capital activities. Overall governmental program revenues, including intergovernmental aid and fees for services were \$59,550. General revenues, including taxes and investment earnings totaled \$73,246.

The Town's programs include: General Government, Public Works/Streets, Culture & Recreation, Solid Waste, Public Safety, Cemetery, and Grafton Heritage Project. Each programs' net cost (total cost less revenues generated by the activities) is presented below. The net cost shows the extent to which the Town's general taxes support each of the Town's programs.

### Changes in Net Assets

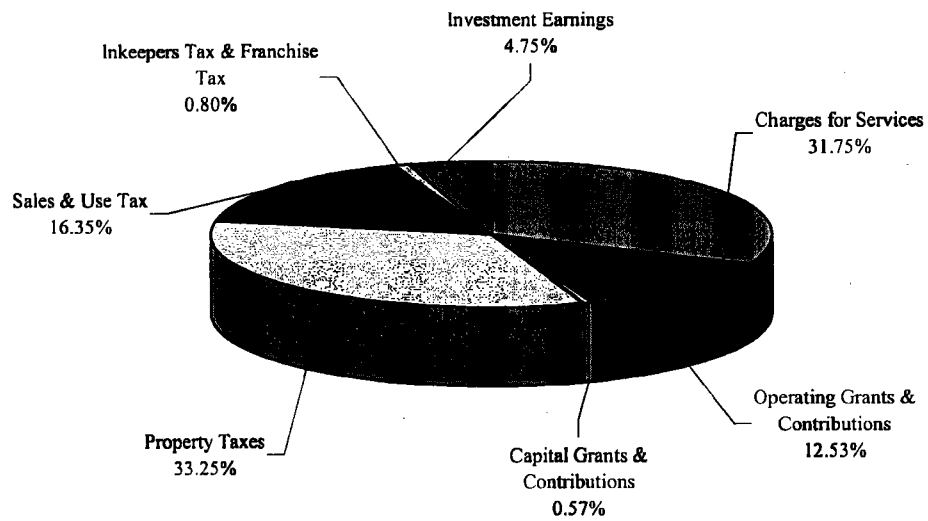
	<u>6/30/2005</u>	<u>6/30/2006</u>
Revenues:		
Program revenues:		
Charges for services	\$ 39,497	\$ 42,159
Operating grants	14,105	16,638
Capital grants and contributions	5,738	753
General revenues:		
Property taxes	28,167	44,156
Sales & Use	19,522	21,716
Innkeepers tax and franchise taxes	983	1,068
Unrestricted investment earnings	3,018	6,306
Total revenues	<u>111,030</u>	<u>132,796</u>
Expenses:		
General Government	44,903	52,403
Public works/streets	10,104	6,569
Culture & Recreation	25,568	25,705
Solid waste	16,049	16,684
Public safety	1,515	3,512
Cemetery	1,356	520
Grafton Heritage Project	-	-
Interest on long-term debt	-	-
Total expenses	<u>99,495</u>	<u>105,393</u>
Increase in net assets	11,535	27,403
Net assets, beginning	318,228	329,763
Net assets, ending	<u>\$ 329,763</u>	<u>\$ 357,166</u>

Total resources available during the year to finance governmental operations were \$462,559 consisting of Net assets at July 1, 2005 of \$329,763, program revenues of \$59,550 and General Revenues of \$73,246. Total Governmental Activities during the year were \$105,393; thus Governmental Net Assets were increased by \$27,403 to \$357,166.

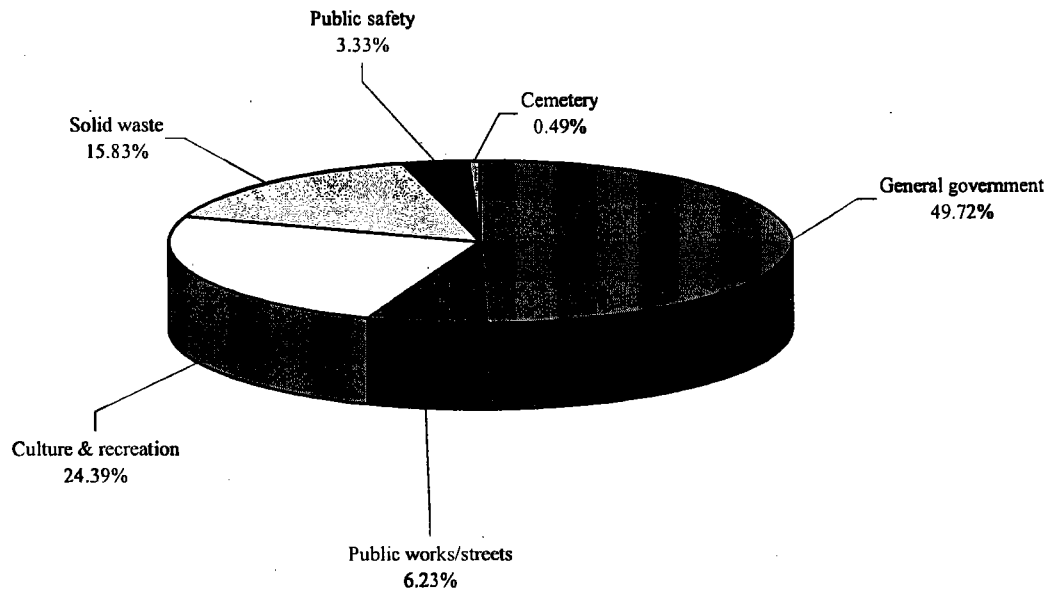


The following graphs provide a breakdown of revenues by source for all government activities and a breakdown of expenditures by function/program.

#### Revenue by Source - Governmental Activities

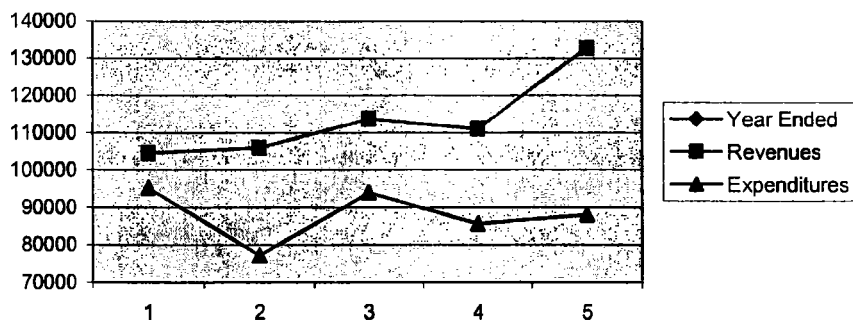


#### Expenditures by Function/Program - Governmental Activities



The following graph provides  
Fund Revenue and Expenditure Comparisons by Year

<u>Year Ended</u>	<u>Revenues</u>	<u>Expenditures</u>
2002	104,503	95,308
2003	105,938	77,215
2004	113,705	94,000
2005	111,030	85,655
2006	132,796	88,076



### General Fund Budgetary Highlights

The final appropriations for the General Fund at year-end were \$64,915 greater than actual expenditures. Actual revenues were greater than the final budget by \$25,573. Budget amendments and supplemental appropriations were made during the year to prevent budget overruns.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

The capital assets of the Town are those assets that are used in performance of Town functions. Capital Assets include land, buildings, and equipment. In accordance with GASB 34, the Town has opted not to retroactively report infrastructure fixed assets. Infrastructure normally includes assets such as roads, curb and gutter, sidewalks, street lighting, storm drains and other improvements. At the end of fiscal year 2006, net capital assets of the government activities totaled \$168,280. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See note 6 to the financial statements.)

### NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the Town Budget for fiscal year 2006/2007, the Town Board and management estimated the budget for operating revenues and expenditures will be similar to this year.

### CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Elaine Harris, Town Clerk of the Town of Rockville at P.O. Box 630206, Rockville, UT, 84763 or call 435-772-0992.

**BASIC FINANCIAL STATEMENTS**

# TOWN OF ROCKVILLE

## Statement of Net Assets June 30, 2006

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 81,063
Receivables (net of allowance)	1,596
Due from other governments	18,903
Prepaid expenses	884
Restricted assets:	
Temporarily restricted:	
Cash and cash equivalents	91,982
Capital assets (net of accumulated depreciation)	
Land	10,465
Buildings and improvements	144,914
Machinery and equipment	5,324
Furniture and fixtures	7,577
Total assets	<u>362,708</u>
<b>Liabilities</b>	
Accounts payable	4,761
Accrued liabilities	781
Due to other funds	-
Total liabilities	<u>5,542</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	168,280
Restricted for:	
Class C Road Funds	88,845
Cemetery	3,137
Unrestricted	96,904
Total Net Assets	<u>\$ 357,166</u>

See accompanying notes and accountants' report.

# TOWN OF ROCKVILLE

## Statement of Activities For the Year Ended June 30, 2006

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Total
Governmental activities:					
General government	\$ 52,403	\$ 15,022	\$ 1,037	\$ -	(36,344)
Public works/streets	6,569	-	15,506	-	8,937
Culture & recreation	25,705	7,908	-	-	(17,797)
Solid waste	16,684	18,319	-	753	2,388
Public safety	3,512	110	95	-	(3,307)
Cemetery	520	800	-	-	280
Interest on long-term debt	-	-	-	-	-
Total governmental activities	105,393	42,159	16,638	753	(45,843)
					(45,843)
General Revenues:					
Taxes:					
Property taxes					44,156
Sales & use tax					21,716
Innkeepers tax and franchise taxes					1,068
Unrestricted investment earnings					6,306
Total general revenues & transfers					73,246
Change in net assets					27,403
Net assets - beginning					329,763
Net assets - ending					\$ 357,166

See accompanying notes and accountants' report.

# TOWN OF ROCKVILLE

## Balance Sheet Governmental Funds June 30, 2006

	Governmental Fund Types	Total Governmental
	General	Funds
<b>Assets:</b>		
Cash	\$ 81,063	\$ 81,063
Accounts receivable	1,596	1,596
Due from other governments	18,903	18,903
Prepaid expenses	884	884
Cash - restricted	91,982	91,982
<b>Total Assets</b>	<b>\$ 194,428</b>	<b>\$ 194,428</b>
<b>Liabilities, Fund Equity and Other Credits:</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 4,761	\$ 4,761
Accrued liabilities	781	781
<b>Total Liabilities</b>	<b>5,542</b>	<b>5,542</b>
<b>Fund Equity and Other Credits:</b>		
<b>Fund Balances:</b>		
Reserved	91,982	91,982
<b>Unreserved:</b>		
Designated for subsequent year	30,084	30,084
Undesignated	66,820	66,820
<b>Total Fund Equity and Other Credits</b>	<b>188,886</b>	<b>188,886</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$ 194,428</b>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Net assets of governmental units

168,280

\$ 357,166

See accompanying notes and accountants' report.

# TOWN OF ROCKVILLE

## Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2006

	Governmental Fund Types General	Total Governmental Funds
<b>Revenues:</b>		
Property taxes	\$ 44,156	\$ 44,156
Sales and use taxes	21,716	21,716
Innkeepers tax and franchise taxes	1,068	1,068
Licenses and permits	6,857	6,857
Intergovernmental revenue	15,601	15,601
Interest income	6,306	6,306
Solid waste services	18,319	18,319
Rents & concessions	8,033	8,033
Cemetery	800	800
Other revenues/donations	9,940	9,940
Total Revenues	<u>132,796</u>	<u>132,796</u>
<b>Expenditures:</b>		
Current:		
General government	49,907	49,907
Solid waste	16,684	16,684
Public safety	3,512	3,512
Public works/streets	2,373	2,373
Cemetery	1,385	1,385
Culture & recreation	14,215	14,215
Grafton Heritage Partnership project	-	-
Capital outlay	-	-
Debt service	-	-
Total Expenditures	<u>88,076</u>	<u>88,076</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	44,720	44,720
<b>Other Financing Sources (Uses):</b>		
Operating transfers in	-	-
Operating transfers (out)	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	44,720	44,720
Fund Balance - Beginning of Year	144,166	144,166
<b>Fund Balance - End of Year</b>	<u><u>\$ 188,886</u></u>	<u><u>\$ 188,886</u></u>

See accompanying notes and accountants' report.

**TOWN OF ROCKVILLE**

**Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balances of Governmental Fund  
To the Statement of Activities  
June 30, 2006**

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Amounts reported for governmental activities in the statement of activities  
are different because:

Net change in fund balances - total governmental fund	\$	44,720
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		(17,317)
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Change in net assets of governmental activities	\$	<u>27,403</u>
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See accompanying notes and accountants' report.



# **TOWN OF ROCKVILLE**

## **Notes to the Financial Statements June 30, 2006**

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### **NOTE 1. Significant Accounting Policies**

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#### **General**

The Town was incorporated in 1987. The Town operates under a Council-Mayor form of government and provides the following services as authorized by its charter: Public Works, Public Safety, Cemetery, Culture-Recreation, Public Improvements, and General and Administrative Services.

The accounting and reporting policies of the Town of Rockville (The Town) conform with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

#### **Reporting Entity**

In evaluating how to define the Town, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is whether or not the Town exercises significant influence over the potential component unit. Significant influence or accountability is based primarily on operational or financial relationships with the Town. Based upon the application of these criteria, there are no separate component units combined to form the reporting entity. The Accompanying financial statements include all activities of the Town.

#### **Government-Wide Financial Statements**

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information about the Town, the primary government, as a whole.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

# TOWN OF ROCKVILLE

## Notes to the Financial Statements June 30, 2006

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### NOTE 1. Significant Accounting Policies, Continued

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#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

**Government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. The use of financial resources to acquire capital assets is capitalized as an asset in the government-wide financial statements, rather than as an expenditure. Proceeds from long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long term debt of the Town are reported as a reduction of a related liability, rather than as expenditures in the government-wide financial statements.

**Governmental fund financial statements** are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become both measurable and available. "Measurable" means that the amounts can be reasonably determined within the current period. "Available" means that the amounts are collectible within the current period, or soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, except for interest on long-term debt, which is recognized when due.

Property taxes, other taxes, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The **General Fund** is used to account for all financial resources applicable to the general operations of the Town except for those accounted for in the Capital Projects fund.

The Town does not currently utilize a **Capital Projects Fund** which accounts for financial resources to be used for the acquisition or construction of major capital facilities and assets.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

# **TOWN OF ROCKVILLE**

## **Notes to the Financial Statements June 30, 2006**

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### **NOTE 1. Significant Accounting Policies, Continued**

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#### **Cash and Cash Equivalents**

The Town's cash and cash equivalents are considered to be cash-on-hand, demand deposits and short-term investments with original maturities of three months or less from the date of the acquisition.

#### **Inventory**

The costs of governmental fund-type inventories are recorded as expenditures when purchased. Also, the Town's inventory of materials and supplies is deemed to be immaterial; thus, no provision for inventory has been made in these financial statements.

#### **Capital Assets and Depreciation**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the governmental activity column in the government-wide statement of net assets. In accordance with GASB 34, the Town has opted not to retroactively report infrastructure assets. Capital assets are defined by the Town as assets with an individual cost of more than \$500 and an estimated useful life in excess of two years. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 30 years; furniture and fixtures, 7 years; equipment, 5 years.

#### **Compensated Absences**

There are no accruals for accumulated sick and vacation as the Town currently does not have a policy for vacation and sick leave benefits.

#### **Net Assets**

Net assets is the difference between assets and liabilities. Net assets invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by Town legislation or external restrictions by other governments, creditors or grantors.

#### **Estimates**

Generally accepted accounting principles require management to make estimates and assumptions that affect assets and liabilities, contingent assets and liabilities, and revenues and expenditures. Actual results could differ from those estimates.

# **TOWN OF ROCKVILLE**

## **Notes to the Financial Statements June 30, 2006**

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### **NOTE 2. Reconciliation of Government-Wide and Fund Financial Statements**

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#### **Explanation of differences between governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities:**

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital Outlay	\$ 3,810
Depreciation Expense	<u>(21,127)</u>
Net adjustment to decrease net changes in fund balance - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ (17,317)</u></u>

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### **NOTE 3. Stewardship, Compliance and Accountability**

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#### **Budgets and Budgetary Accounting**

Annual budgets are reported and adopted by resolution by the Town Council on or before June 22 for fiscal year commencing the following July 1 in accordance with State law. Prior to adoption of the budget a public hearing is conducted to obtain taxpayer input. The operating budget includes proposed expenditures and the proposed sources of financing for such expenditures and is adopted on a basis consistent with generally accepted accounting principals using the modified accrual basis of accounting. Budgets are adopted and control of budget appropriations are exercised under State law, at the department level. Budget amendments are required to increase expenditure budgets. During the current fiscal year there were amendments to the budget. Procedures for amending the budgets were in accordance with State laws.

#### **Property Taxes**

Property taxes are collected by the Washington County Treasurer and remitted to the Town in monthly installments. Taxes are levied each October on the taxable value listed as of the prior January 1 for all real property located in the Town. Taxable values are established by the County Assessor at 68% of the fair market value on primary residential property and 100% of the fair market value on non-primary residential property. A revaluation of all property is required to be completed no less than every five years. Taxes are due and payable on November 1 and delinquent after November 30 of each year at which time they become liens if not paid.

# **TOWN OF ROCKVILLE**

## **Notes to the Financial Statements June 30, 2006**

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### **NOTE 3. Stewardship, Compliance and Accountability, Continued**

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#### **Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Town.

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### **NOTE 4. Deposits and Investments**

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The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The Town follows the requirements of the Utah Money Management Act (*Utah code*, Section 51, chapter 7) in handling its depository and investment transactions. The Act requires the depositing of Town funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

#### **Cash Deposits**

##### *Custodial Credit Risk*

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The Town does not have a formal policy for custodial credit risk. As of June 30, 2006, none of the Town's bank balance of \$14,476 was exposed to custodial credit risk because it was uninsured and collateralized.

#### **Investments**

The Money Management Act defines the types of securities authorized as appropriate investment for the Town and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

# TOWN OF ROCKVILLE

## Notes to the Financial Statements June 30, 2006

### NOTE 4. Deposits and Investments, Continued

Statutes authorize the Town to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poor's, bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gain or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2006 the government had the following investments and maturities:

Investment Type	Fair Value	Investments Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
State of Utah Public Treasurer's Investment Fund	\$ 163,252	\$ 163,252			
Total Fair Value	<u>\$ 163,252</u>	<u>\$ 163,252</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# TOWN OF ROCKVILLE

## Notes to the Financial Statements June 30, 2006

### NOTE 4. Deposits and Investments, Continued

#### Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

#### Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act.

At June 30, 2006 the Town had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
State of Utah Public Treasurer's Investment Fund	\$ 163,252				\$ 163,252
Total Fair Value	<u>\$ 163,252</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 163,252</u>

The Town's deposits and investments are summarized as follows:

Carrying amount of demand deposits and petty cash	\$ 9,793
State of Utah Public Treasurer's Investment Fund	<u>163,252</u>
Cash and cash equivalents	<u>\$ 173,045</u>

The Town's deposits and investments are further summarized and presented in the financial statements at cost as follows. The cash restrictions are for Class C road funds and Cemetery funds.

Cash - unrestricted	\$ 81,063
Cash - restricted	<u>91,982</u>
Cash and cash equivalents	<u>\$ 173,045</u>

# TOWN OF ROCKVILLE

## Notes to the Financial Statements June 30, 2006

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### NOTE 5. Accounts Receivable – Due From Other Governments

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Amounts shown as Due from Other Governments are amounts “measurable and available” and due from the State for Class C Road funds and from the County for Property Taxes collected within 60 days after June 30, 2006.

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### NOTE 6. Capital Assets and Depreciation

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The following table summarizes the changes to capital assets for the year ended June 30, 2006:

Governmental Activities:	Balance 6/30/2005	Additions	Deletions	Balance 6/30/2006
<b>Capital assets, not being depreciated:</b>				
Land	\$ 10,465	\$ -	\$ -	\$ 10,465
Total capital assets, not being depreciated	<u>10,465</u>	<u>-</u>	<u>-</u>	<u>10,465</u>
<b>Capital assets, being depreciated:</b>				
Buildings and improvements	262,662	-	-	262,662
Furniture & fixtures	20,290	1,094	-	21,384
Machinery and equipment	35,653	2,716	-	38,369
Total capital assets, being depreciated	<u>318,605</u>	<u>3,810</u>	<u>-</u>	<u>322,415</u>
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	(103,775)	(13,973)	-	(117,748)
Furniture & fixtures	(11,639)	(2,168)	-	(13,807)
Machinery and equipment	(28,059)	(4,986)	-	(33,045)
Total accumulated depreciation	<u>(143,473)</u>	<u>(21,127)</u>	<u>-</u>	<u>(164,600)</u>
Total capital assets, being depreciated, net	<u>175,132</u>	<u>(17,317)</u>	<u>-</u>	<u>157,815</u>
Governmental activities capital assets, net	<u>\$ 185,597</u>	<u>\$ (17,317)</u>	<u>\$ -</u>	<u>\$ 168,280</u>

Depreciation expense was charged to the functions/programs of the Town as follows:

<b>Governmental Activities:</b>	
General government	\$ 4,126
Public works	4,196
Cemetery	221
Culture & recreation	12,584
Total depreciation expense - governmental activities	<u>\$ 21,127</u>



# **TOWN OF ROCKVILLE**

## **Notes to the Financial Statements June 30, 2006**

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### **NOTE 7. Defined Benefit Pension Plan**

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The Town has one full-time employee; however, the Town does not participate in the Utah State-Wide Local Government Retirement System.

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### **NOTE 8. Risk Management**

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The Town maintains commercial insurance for general liability, auto liability, fidelity bonds, and workers compensation through the Utah Local Government Insurance Trust and Bringham-Leavitt Insurance Agency.

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### **NOTE 9. Related Party Transactions**

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The Town periodically purchases various types of supplies from Southern Industrial, a family business owned by Town Clerk Elaine Harris. The Town also receives repair and maintenance services from Meg-'n'-Bo Fixit Shop, a family business of council woman Megan Honer-Orton.

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### **NOTE 10. Garbage Contract**

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The Town of Rockville has entered into a 10 year contract with Red Rock Waste Services for collection and disposal of residential and commercial solid waste.

**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF ROCKVILLE**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget to Actual**  
**For the Year Ended June 30, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
<b>Revenues:</b>				
Property taxes	\$ 26,750	\$ 28,500	\$ 44,156	\$ 15,656
Sales and use taxes	18,000	18,000	21,716	3,716
Innkeepers tax and franchise taxes	1,075	1,075	1,068	(7)
Licenses and permits	2,505	6,644	6,857	213
Intergovernmental revenue	20,581	12,895	15,601	2,706
Interest income	1,650	4,859	6,306	1,447
Solid waste services	18,000	18,000	18,319	319
Rents & concessions	7,000	7,500	8,033	533
Cemetery	1,200	800	800	-
Fines & penalties	-	-	-	-
Other revenues/donations	7,450	8,950	9,940	990
Total Revenues	104,211	107,223	132,796	25,573
<b>Expenditures:</b>				
Current:				
General government	56,132	55,945	49,907	6,038
Solid waste	16,000	17,000	16,684	316
Public safety	6,481	4,096	3,512	584
Public works/streets	22,100	19,600	2,373	17,227
Cemetery	1,900	1,500	1,385	115
Culture & recreation	56,045	54,850	14,215	40,635
Grafton Heritage Partnership project	10,000	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Total Expenditures	168,658	152,991	88,076	64,915
Excess (Deficiency) of Revenues Over (Under) Expenditures	(64,447)	(45,768)	44,720	90,488
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(64,447)	(45,768)	44,720	90,488
Fund Balance - Beginning of Year	144,166	144,166	144,166	-
Fund Balance - End of Year	\$ 79,719	\$ 98,398	\$ 188,886	\$ 90,488

See accompanying accountants' report.